

Sandra L. Wagner
Vice President
Federal Regulatory

SBC Telecommunications, Inc.
1401 I Street, N.W., Suite 1100
Washington, D.C. 20005
Phone 202 326-8831
Fax 202 408-4807

ORIGINAL

EX PARTE OR LATE FILED



June 14, 2000

NOTICE OF EX PARTE PRESENTATION

Magalie Roman Salas, Secretary
Federal Communications Commission
The Portals
445 12th St., S.W.
Washington, D.C. 20554

Re: *CenturyTel of Northwest Arkansas, LLC and CenturyTel of Central Arkansas, LLC*
Petition for Waiver of Sections 69.3(g)(2) and 61.41(c) of the Commission's Rules, CC
Docket No. 96-45, DA 00-404

Dear Ms. Salas,

Please be advised that on June 14, 2000, Sandra Wagner, Vice President, Federal Regulatory, SBC, and Tim Morrissey, Area Manager-Settlement Studies, SWBT met with Katherine Schroder, Adrian Wright, Gary Seigel, Katie King, Paul Garnett and Bob Loube of the Common Carrier Bureau/Accounting Policy Division and Jay Atkinson of the Common Carrier Bureau/Competitive Pricing Division in connection with the above referenced matter. Attached is a copy of the printed materials that were discussed at this meeting.

In accordance with the Commission's rules concerning ex parte presentations, one copy of this notice is provided. Should you have questions concerning this matter, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sandra L. Wagner".

Attachment

No. of Copies rec'd 01
List A B C D E

cc: Katherine Schroder
Adrian Wright
Gary Seigel
Katie King
Paul Garnett
Bob Loube
Jay Atkinson

CenturyTel of Northwest Arkansas, LLC and CenturyTel of Central
Arkansas, LLC Petition for Waiver of Sections 69.3(g)(2) and 61.41(c) of
the Commission's Rules

CC Docket No. 96-45
DA 00-404

SWBT Ex Parte Presentation

June 14, 2000

Background

- The Arkansas Public Service Commission has approved a Joint Application filed by GTE and Century for the transfer of GTE operating facilities and equipment in its Arkansas Exchanges to CenturyTel.
- CenturyTel will adopt GTE's current intrastate local and toll rates.
- CenturyTel will also draw the current amount that GTE receives from the Arkansas Intrastate Carrier Common Line Pool.
- However, CenturyTel will not adopt GTE's current traffic-sensitive, intrastate access service rates. Instead, CenturyTel filing intrastate traffic sensitive rates in parity with the NECA, Rate Band 1, Interstate rates.
- CenturyTel has sought a waiver of the FCC Rules to convert the former GTE Arkansas service areas from Interstate price cap regulation to rate of return regulation and rejoin the NECA pool
- The Arkansas PUC Order (Docket Nos. 99-236-U, 99-237-U, Order 10; and Docket No. 86-160-U, Order 273) states that CenturyTel is not eligible to charge NECA rates until such time that the FCC grants CenturyTel their request for waiver. Thus, the outcome of the waiver request has a direct impact on the level of intrastate-switched access rates CenturyTel may charge in Arkansas.

Approval Of The Waiver Allows CenturyTel To Utilize The Intrastate Regulatory Framework in Arkansas To Implement Unwarranted Switched Access Rate Increases

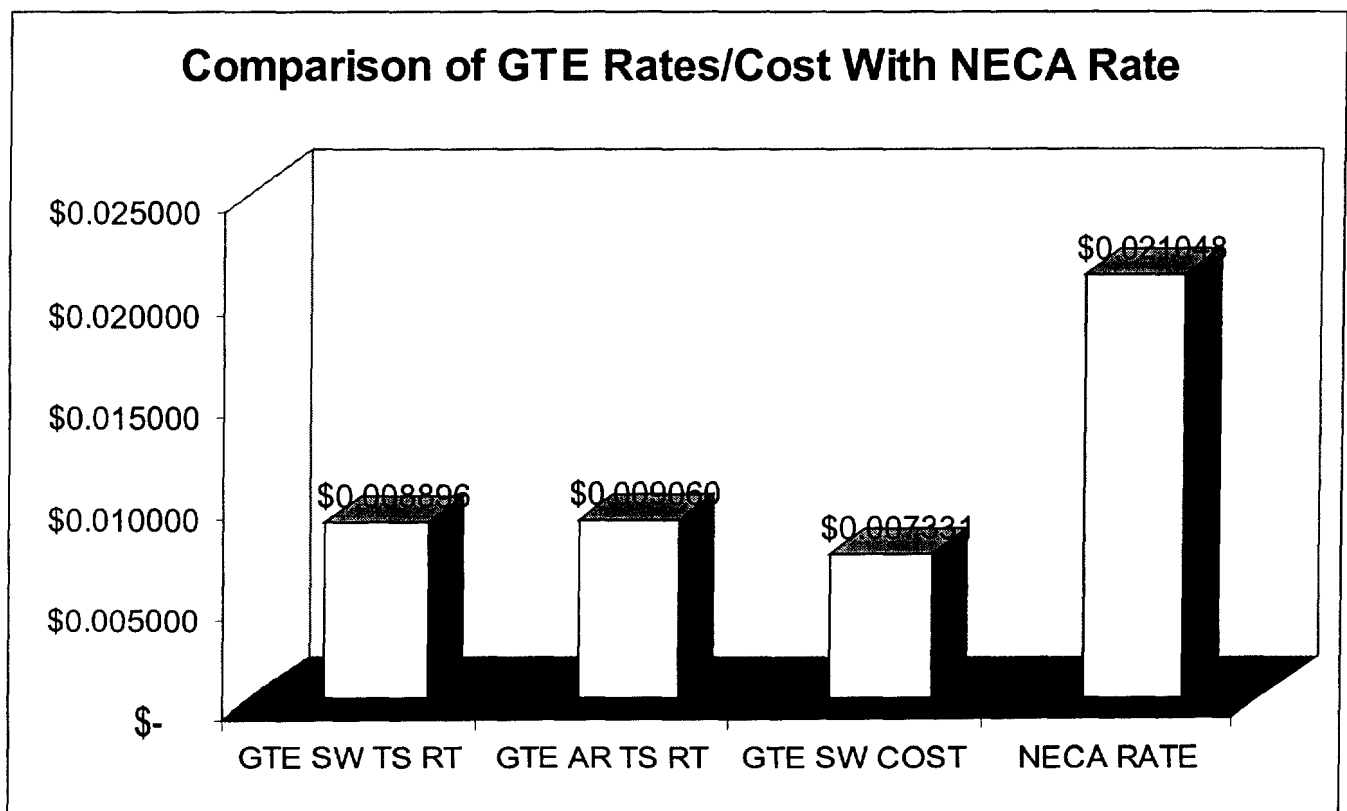
- Act 77 of 1997 enabled Arkansas ILECs the option of electing an alternative regulation or remain under rate of return regulation.
- All LECs, except GTE, elected the alternative regulation.

- To conform with Arkansas Regulations, GTE maintained intrastate traffic sensitive rates in parity with the interstate rates that it filed with the FCC under Price Cap Regulation. The current composite traffic sensitive rate applicable to the GTE service areas in Arkansas is approximately \$0.009. (See Exhibit 1.)
- With the purchase of the GTE properties, CenturyTel has decided to continue to keep the subject exchanges under rate of return regulation for intrastate purposes. For Interstate rate setting Century is seeking to convert from price caps to rate of return for interstate purposes and concur in the NECA rates. CenturyTel is proposing a composite traffic sensitive rate of approximately \$0.021. (See Exhibit 1.)
- Approval of the price cap waiver and waiver of the rules concerning eligibility to join the NECA pool for interstate rate setting purposes enables Century to charge substantially higher intrastate switched access rates than the current GTE rates and provides an approximate \$6.5M annual financial windfall to CenturyTel, based on 1999 estimated minutes of use. (See Exhibit 2)
- To avoid adverse financial impacts, SWBT and other toll service providers would have to recover these cost increases from their customers.

The Switched Access Rate Increases Proposed By CenturyTel Are Not Cost Based

- GTE rates were based on actual Part 36/69 costs initially and were adjusted subsequently under price cap rules.
- Under price cap regulation GTE was reducing rates, in recognition of increased efficiency.
- Intrastate parity filings also reduced rates, which is how operation of the parity rule was intended.

- Now, for no other reason than a change in ownership of the facilities and operations, Century is proposing to increase switched access rates to NECA levels and use the parity concept to justify the increase.
- ARMIS 43-01 Data shows that the switched access costs for the GTE operating areas are substantially lower than NECA rates.
 - Attachment 3 summarizes ARMIS data obtained from the FCC Website, ARMIS Data Retrieval System for GTE of the Southwest.
 - ARMIS data is not available for the other GTE companies.
 - The composite 1999 traffic sensitive cost per MOU is \$.007331 and provides for sufficient recovery of the associated costs. Any increase to the current GTE rates is unwarranted.



SWBT Recommendations

- CenturyTel should be required to maintain the rates currently charged by GTE for its Arkansas Operations. These rates more appropriately reflect the costs of operating the exchanges being acquired from GTE.
- Consequently, the FCC should allow CenturyTel to remain under rate of return regulation in Arkansas, but deny the requested waiver as to 47 C.F.R. § 69.3 (g)(2) that would allow them to join the NECA pool and more than double their intrastate access rates.

**Summary of Interstate Traffic Sensitive (TS) Rates
GTE and NECA (Band 1)**

	GTE Ark Rates	GTE SW Rates	NECA Rates
Transport Interconnection Charge (TIC)			
Rate Per Originating Access MOU	\$ -	\$ -	\$ 0.004933
Rate Per Terminating Access MOU	\$ -	\$ -	\$ 0.004933
Switched Transport			
Tandem Switched Transport			
Termination (Per MOU)	\$ 0.000142	\$ 0.000051	\$ 0.000933
Facility (Per MOU Mile)	\$ 0.000047	\$ 0.000017	\$ 0.000189
Tandem Switching Per MOU	\$ 0.001322	\$ 0.000479	\$ 0.003920
Information Surcharge Per MOU	\$ 0.000338	\$ 0.000573	\$ 0.000161
Local Switching Per MOU	\$ 0.004659	\$ 0.006513	\$ 0.009211
Shared End Office Trunk Port	\$ 0.000778	\$ 0.000868	\$ -
Shared Multiplexing	\$ 0.000031	\$ 0.000032	\$ -
Marketing Exp (Per Term Minute)	\$ 0.003118	\$ 0.001647	\$ -
Total Originating Per MOU	\$ 0.006932	\$ 0.007786	\$ 0.021048
Total Terminating Per MOU	\$ 0.010860	\$ 0.010333	\$ 0.021048
Average TS Rate Per MOU	\$ 0.008896	\$ 0.009060	\$ 0.021048

Source: CC Docket No. 96-45, DA-404, Century Reply To AT&T Opposition, Exhibit B

Note: 10 Miles is assumed for Tandem Switched Facility Charges

**Impact of Century Proposed Traffic Sensitive (TS) Rates
GTE and NECA (Band 1)**

	GTE Rates	NECA Rates	Difference
1 Average TS Rate Per MOU (Exhibit 1)	\$ 0.009000	\$ 0.021048	\$ 0.012048
2 Intrastate Access MOU *	545,447,760	545,447,760	0
3 Estimated Revenue (L1*L2)	\$ 4,909,030	\$ 11,480,584	\$ 6,571,555

* Obtained from RFI response provided by GTE in Arkansas PUC Docket No 99-220U, ALLTEL First Request, RFI No. 10. These Minutes represent January through June, 1999 intrastate access MOUS related to the GTE properties being purchased by CenturyTel.

1999 ARMIS 43-01 Data
GTE SW - Arkansas, Submission 1
(000)

Ln	Row_Title	ARMIS Ln/ Source	Interstate_h	Traffic_Sens Total r
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Rate of Return Analysis				
1	Total Operating Revenues	1090	\$25,880	\$2,366
2	Total Operating Expenses	1190	\$18,970	\$1,428
3	Total Non-operating Items (Exp)	1390	\$13	\$2
4	Total Other Taxes	1490	\$767	\$103
5	Federal Income Taxes (Exp)	1590	\$2,130	\$290
6	Net Operating Income (NOI) (1090-1190-1390-1490-1590)	1915	\$4,000	\$543
7	Average Net Investment	1910	\$23,503	\$2,697
8	Rate of Return (NOI/1910)	1920	17.02%	20.13%

Revenue Requirement Analysis				
9	Total Operating Expenses	1190	\$18,970	\$1,428
10	Total Non-operating Items (Exp)	1390	\$13	\$2
11	Other State and Local Taxes	1420	\$330	\$44
12	Net Return (11.25% of Net Inv)		\$2,644	\$303
13	Fixed Charges (Exp)	1510	\$62	\$8
14	IRS Income Adjustment	1520	\$118	\$16
15	FCC Taxable Income Adjustment (Rev)	1530	\$0	\$0
16	ITC Amortization (Rev)	1540	\$35	\$5
17	FCC ITC Adjustment (Rev)	1550	\$0	\$0
18	Federal and State Income Tax	Note 1	\$1,544	\$173
19	Revenue Requirement	Note 2	\$23,501	\$1,951
20	TS Total MOU	ARMIS, Table II	N/A	266,084
21	TS Rate/MOU	L19/L20	N/A	\$ 0.007331

NOTE 1: ((L12-L13-L14-L16)*.65)-L16

NOTE 2: L9+L10+L11+L12+L18

SOURCE: FCC Web Site, ARMIS Data Retrieval System